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Peru

Dairy

Dairy Situation

1999

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Report Highlights:
Dairy production and imports are forecast to increase as consumers demand more dairy products. Peru still imports about half of the milk it consumes, and dairy producers are expected to import more and better genetics to meet growing demand.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Lima [PE1], PE

Summary

Milk production is expected to reach 1.1 million metric tons (mt) for marketing year (January/ December) 2000, increasing five percent compared to the previous year. Non fat dry milk and whole dry milk imports are expected to reach 16,000 and 40,000 mt respectively, for marketing year 2000.

More milk processing plants are increasing demand and encouraging farmers to produce more milk. The GOP is also encouraging milk production, by recently renewing the waiver that exempted livestock from import duties and taxes. Unfortunately, banks are still somewhat reluctant to grant loans to farmers for importing cattle.

PSD Table						
Country:	Peru					
Commodity:	Dairy, Milk, Fluid					
(1000 mt, 1000 heads)		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/98		01/99		01/00
Cows In Milk	610	590	615	570	0	610
Cows Milk Production	910	998	950	1050	0	1100
Other Milk Production	5	5	5	5	0	5
TOTAL Production	915	1003	955	1055	0	1105
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	915	1003	955	1055	0	1105
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Fluid Use Dom. Consum.	610	708	625	700	0	730
Factory Use Consum.	300	290	325	350	0	370
Feed Use Dom. Consum.	5	5	5	5	0	5
TOTAL Dom. Consumption	915	1003	955	1055	0	1105
TOTAL DISTRIBUTION	915	1003	955	1055	0	1105
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country:	Peru					
Commodity:	Dairy, Milk, Nonfat Dry					
(1,000 mt)		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/98		01/99		01/00
Beginning Stocks	1	1	1	1	1	1
Production	0	0	0	0	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	11	14	12	16	0	16
TOTAL Imports	11	14	12	16	0	16
TOTAL SUPPLY	12	15	13	17	1	17
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	11	14	12	16	0	16
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	11	14	12	16	0	16
TOTAL Use	11	14	12	16	0	16
Ending Stocks	1	1	1	1	0	1
TOTAL DISTRIBUTION	12	15	13	17	0	17
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country:		Units:	metric tons
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	1045		1040
Others			
EC	5819		6624
New Zealand	2263		5314
Australia	1303		294
Uruguay	765		
Argentina	505		
Total for Others	10655		12232
Others not listed	1789		1204
Grand Total	13489		14476

PSD Table						
Country:	Peru					
Commodity:	Dairy, Dry Whole Milk Powder					
(1000 mt)		1998		1999		2000
	Old	New	Old	New	Old	New
Calendar Year Begin		01/98		01/99		01/00
Beginning Stocks	2	2	2	1	2	2
Production	5	3	5	5	0	5
Intra EC Imports	0	0	0	0	0	0
Other Imports	40	32	40	38	0	40
TOTAL Imports	40	32	40	38	0	40
TOTAL SUPPLY	47	37	47	44	2	47
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	45	36	45	42	0	45
Other Use, Losses	0	0	0	0	0	0
Total Dom. Consumption	45	36	45	42	0	45
TOTAL Use	45	36	45	42	0	45
Ending Stocks	2	1	2	2	0	2
TOTAL DISTRIBUTION	47	37	47	44	0	47
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Import Trade Matrix			
Country:		Units:	metric tons
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	266		267
Others			
New Zealand	21824		19536
EC	8432		11061
Argentina	609		
Canada	276		
Total for Others	31141		30597
Others not listed	918		758
Grand Total	32325		31622

Production

Fluid milk production is forecast at 1.05 million mt for 1999, increasing 5 percent compared to the previous year. With increasing demand from processing plants, milk production has been one of the few profit-making business in the agricultural sector during 1999.

Processed Milk Production by Categories
(thousand metric tons)

Category	1999	1998
Evaporated	170	163
Pasteurized	35	32
Condensed	2	2
Powdered	0.2	0.4
Infant formula	0	0.2

Peru has three major dairy producing areas. Arequipa in the southern region, Cajamarca in the north-oriental area and Lima on the coast. Arequipa is 1,000 kilometers south of Lima, it has very good quality forage, mainly alfalfa. Most of the production is bought by Gloria, the largest milk processing plant in Peru, which is based in Arequipa. Cajamarca in the northern highlands is an excellent dairy area. The most important milk processing plant in the area is Nestle, which is based in Chiclayo (on the northern coast). Lima is important due to the proximity to eight million consumers, but the limiting factor for milk producers in this area is the lack of forage.

Some milk processing plants have technical support programs. Most of them work with farmers on feeding, forage management, breeding, and quality control to increase the amount of milk produced by their suppliers. Moreover, some processors have started to give price bonuses to producers for TBC and Brucellosis control, for belonging to the national dairy control (dairy control system supervised by the Ministry of Agriculture), for each tenth of a percent of fat over 3.2 percent, and for the volume of milk delivered.

Dairy Products Production (thousand metric tons)		
Product	1999	1998
Fluid milk (raw)	1050	998
Cheese	4	3.6
Butter	1	1
Yogurt	20	19

Consumption

About five new milk processing plants have been built in the last two years in the Lima area and two more were inaugurated in the northern area of the country. These new plants have increased demand and given the producers certain market security to encourage them to increase their production. According to industry officials, most of these plants will need 4 to 6 years to create a constant local supply of fresh milk (i.e., build up the local dairy herd to meet demand). Meanwhile they will operate way below their maximum capacity, and import powdered milk to meet demand.

Milk consumption in Peru is only 58.4 liters per capita per annum, 48 percent of the minimum consumption recommended by the Food and Agriculture Organization. With about 75 percent of the market, evaporated milk is by far the most popular way in which milk is consumed in Peru. This form of milk has several advantages, the most important being durability and conservation, since it does not need refrigeration it lasts longer, especially in the poor areas of the country.

Gloria, the largest processing plant, controls 53 percent of the evaporated milk market and about 45 percent of the total milk market. UHT milk is becoming popular but, due to its higher price, it counts for only 4 percent of the market. Consumption of powdered milk, once very popular when it was subsidized by the state-owned ENCI, is decreasing, giving way to other alternatives such as “soybean milk”.

Per Capita Consumption of Milk by Category (kilograms/ person/year)	
Category	Consumption
Total	58.4
Fresh	27.4
Skimmed	5.2
Powdered	11.0
Butter fat	1.2
Evaporated	13.6

Trade

With 19,536 mt of whole milk powder and 5,314 of nonfat dry milk, New Zealand continues to be the main supplier of powder milk to Peru, followed by the European Community. The New Zealand Dairy Board has had a very aggressive export policy, they even have their own brand, Anchor, which is the most popular powdered milk in the market.

Policy

The GOP is supporting milk production by purchasing milk directly from producers for social assistance programs. Even though these programs have been reduced by 50,000 mt to 40,000 mt of fresh milk per day, they are still competing with the processing plants for fresh milk, creating a higher demand. They are also a way to create a floor price, or at least a reference price, for producers.

The GOP has taken several steps to encourage milk production. The import tariff for dairy products is currently 25 percent. Like all products, imported and domestic, an 18 percent value-added tax is assessed on top of the tariff.. Under the Agricultural Promotion Law, the GOP has dropped the 12 percent import duty and the value-added tax for livestock and genetics imports, thereby stimulating dairy cattle herd improvements.

Marketing

Peru imported a very limited number of cattle, about 500 heads, during 1999. The relatively high cost of imports and a wide-spread lack of financing in the agricultural sector have been the two major set backs for lager imports. Peruvian farmers are interested in importing U.S. dairy breeds and at current

milk prices they would be able to pay for their heifers within five years. The new import regulation for cattle and GSM-103 program should increase livestock imports.

After Peru embraced an open trade policy and the government started encouraging competition among local producers and local products with foreign products, the market went through major changes. This process is not over yet, and has created fundamental changes in the way consumers in Peru purchase their food needs. There is now a broad variety of dairy products available in modern supermarkets, and it is also common to find imported cheeses or butter even in the traditional markets. Peru imported $7 million worth of cheese in 1998, and $9.2 million worth of butter in the same year. These relatively small figures, represent a major change in the consumers' habits and will rapidly increase as the Peruvian economy continues to improve.